

STANDARD FORM NO. 64

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Office Memorandum • UNITED STATES GOVERNMENT

STAT

TO : [REDACTED] O/DCI

DATE: 8 December 1955

STAT

FROM : [REDACTED] SA/DCI (WBF)

SUBJECT:

I doubt whether the Director would want to take the time to read the attached drafts. He may be interested in knowing that the first paper which deals with cultural exchanges urges that the cultural exchange program be increased as being one of considerable long term value. The same is recommended regarding educational exchanges and the sister university system. The second paper is on farm policy and the third on economic stabilization.

Attachment

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# NATIONAL PLANNING ASSOCIATION

A NONPROFIT, NONPOLITICAL ORGANIZATION, ESTABLISHED IN 1934  
DEVOTED TO PLANNING BY AMERICANS IN AGRICULTURE, BUSINESS, LABOR, AND THE PROFESSIONS  
1606 New Hampshire Ave., N. W., Washington 9, D. C. • Telephone: Columbia 5-7685 • Cable: NATPLAN  
M-3074

Executive Day 271  
7-6879

December 2, 1955

MEMORANDUM

From: John Miller

To: NPA Board of Trustees and Standing Committees

Enclosed is a copy of the preliminary agenda for the NPA Annual Meeting, which, as Mr. Sonne wrote you on October 21, will be held this year on December 12 at the Hotel Statler in Washington, D.C.

Please note that the meeting will begin at 9:30 a.m., on the 12th and continue through the Annual Dinner on that day. As Mr. Sonne wrote you, we are experimenting this year with a one-day Annual Meeting.

Also enclosed are preliminary drafts of the three Joint Statements which will be considered at the meeting. The Joint Sub-committees preparing these drafts may make several changes prior to the meeting. In as much as the schedule will be more crowded than in previous years, we urge that you read these draft statements prior to December 12.

If you have not already let us know your plans for attendance at the meeting, or if your plans should change, please advise me by return mail.

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cc: 175

" NPA

OFFICERS: Chairman, H. Christian Sonne; Chairman, Executive Committee, Wayne Chatfield Taylor; Vice Chairmen: M. H. Hedges, Frank Altschul, Clin  
Approved For Release 2002/11/13 : CIA-RDP8QB01676R001100080010-3  
Counsel, Charlton Ogburn; Assistant Chairman and Executive Secretary, John Miller.

NATIONAL PLANNING ASSOCIATION  
1606 New Hampshire Ave., N.W.  
Washington 9, D.C.

M-3061  
Confidential  
For Committee Use  
First Draft  
November 21, 1955

Proposed NPA Joint Statement on  
United States Participation in Cultural Exchanges

Since World War II, the question of what the people of other countries think about the United States has become of major concern to us. Prior to that time, the United States did not have an active, world-wide foreign policy nor had it assumed heavy responsibilities for the defense and progress of other free countries. In such circumstances, the picture which other countries had of us did not matter very much. Today, the situation is reversed. The success of our policies depends not simply upon other people's immediate reactions to specific American statements, actions and programs. More fundamentally, the way in which others will react to our policies is also determined by their general attitudes toward the United States, by the picture which they have in their minds of the kind of people we are and of the basic values and objectives which we hold dear. It is this underlying feeling on the part of others about the United States which persists over time and, in the long run, has a greater effect on the ultimate success of our policies than do the immediate reactions in other countries to specific American actions in the political or economic fields.

Traditionally, the people of other countries have had a distinctive picture in their minds of what constituted the essential characteristics of American civilization. Americans were widely and favorably known abroad as the people who had shown the modern world the way to national independence, representative democracy, and greater economic and social justice. At the same time, our rapidly growing national wealth, our technical proficiency and high productivity, and our ever-expanding standard of living were regarded with mixed feelings. Many admired these

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products of American pragmatism and joy in work. To others, however, they were evidences of an excessive concern with material possessions and materialistic satisfactions. Despite these reservations, and some understandable envy of American good fortune, the net impression we made on the rest of the world was favorable and the people of other countries were generally friendly to the United States. This basic attitude provided a psychological background conducive to favorable responses to American policies and actions in the years before World War II.

In the past decade, we have been drawing on this favorable psychological "capital" accumulated since the "shot heard round the world" at Concord Bridge in 1775. This vast reservoir of good will is still far from being exhausted. But the postwar drains on it have been very heavy and, in present and prospective circumstances, it requires constant replenishing and refreshing. Moreover, the traditional picture which the people of other countries have had of us has always been an over-simplified and partial representation of the essential characteristics of American civilization and is also now in many respects seriously out of date.

Both the need for and the difficulty of conveying a valid and convincing picture of ourselves to other peoples are today very much greater than in the past. A nation which assumes leadership responsibilities and actively seeks to get things done in the world inevitably places a much greater strain upon the good will of other countries than does one which merely follows a passive or isolationist foreign policy. A country whose foreign activities include massive programs of military and economic aid and technical assistance is bound to give the impression that it is overly concerned with its own material achievements and possessions, despite the fact that these programs are being undertaken to meet a common political danger and the expressed desires of other countries for such material assistance. Finally, the communists and other anti-American elements abroad are ceaselessly purveying false and distorted information about the United States in an effort to

undermine the confidence of other countries in our friendship and leadership.

There are many ways by which Americans can help to make the picture of themselves which they project to other peoples a more complete and accurate representation of the essential values and achievements of our civilization. There are, most obviously, the specific objectives and programs of our foreign policy, political and economic. Perhaps of greater immediate impact are the spirit and tone of our foreign policy as a whole -- the things we say about our actions in the world and the manner in which we undertake them. There are, too, the impressions which Americans from all walks of life make on people abroad, both as individuals and as assumed representatives of characteristic groups within American life. Finally, there is the knowledge which other countries are able to obtain of the distinctive cultural values and achievements of the American people.

It has long been regarded as axiomatic that the better acquainted people are with each other's habits, abilities and limitations, the more likely they are to be understanding and cooperative in their relationships with one another. Ignorance and misinformation breed intolerance, suspicion and hostility. Better knowledge of one another will not, however, automatically and by itself result in mutual understanding and friendliness, but it is one of the essentials of good relations. Assuming that the other essentials -- common interests, compatible institutions and levels of political and economic capabilities, etc. -- are also present in some minimum degree, a growing knowledge of each other's values and cultural achievements can foster and maintain mutual tolerance and cooperation among different countries.

Prior to World War II, the active encouragement of such cultural contacts and exchanges was not regarded as a governmental responsibility in democratic countries and was generally left to private initiative and activity, particularly in the United States. War time and postwar conditions have changed this attitude and, over the past decade, the United States Government has operated a gradually expanding program of cultural exchanges between the United States and other countries.

At first, this cultural exchange program was conceived as an integral part of the general information function of explaining and justifying American policies to the rest of the world and of exposing the real objectives and tactics of worldwide communist imperialism. Though the information program certainly contributes to better knowledge and understanding of the essential characteristics of American civilization, an important difference was soon recognized between the information function and the cultural exchange function. The content and pace of the information program must be largely, though not exclusively, determined in the light of the changing objectives and methods of American and communist foreign policies and of the day-to-day events of the Cold War. In contrast, the cultural exchange program need not be geared to specific political and economic objectives or to immediate tactical needs. Its content can and should be much broader and its pace more leisurely than those of the information program. Moreover, its effects are achieved only over the long term and not through immediate or dramatic impacts. Hence, too, its effects are cumulative and much more enduring.

The general objective of the cultural exchange program carried on by the United States Government is, in the words of the President, to "demonstrate those important aspects of the life and culture of the people of the United States which facilitate understanding of the policies and objectives of the Government of the United States." This objective is to be achieved through programs which enable other people, either in their own country or through visits to the United States, to become acquainted with what Americans have been thinking and doing in all of the important cultural fields -- broadly defined to include the arts, the sciences, religion, education, human relations, etc. In various ways and to varying degrees, those programs help to make possible the dissemination in other countries of American books and other printed matter on all subjects of interest or importance to their peoples; exhibitions abroad of American literary, artistic and scientific achievements;

foreign tours by American writers, lecturers, athletes, musicians and orchestras, dramatic and dance companies, etc.; and periods of study and travel in the United States for foreign students, teachers and specialists and periods of study and travel abroad for American students, teachers and specialists. In addition, these programs endeavor to stimulate and assist private American individuals, groups and institutions in undertaking their own cultural contacts, temporary or permanent, in other countries.

These programs have entailed now and strange activities for the United States Government, and the task of evolving effective organizational forms and operating methods has been a long and difficult one. Also, there is unavoidably a large element of subjective judgment -- of personal taste and aesthetic or intellectual preference -- which enters into the choice of specific things, activities and persons to be included in a particular program. Inevitably, mistakes have been made and waste and inefficiency have occurred. But, over the years, there is no question in our minds that these programs have yielded results which far outweigh their monetary cost and the minor unintentional harm that may have resulted from inefficiency and mistakes in judgment. As knowledge and experience have been accumulated, the quality of the cultural exchange programs has steadily improved, and we have every confidence that, with adequate understanding and support by the Congress and the American people, their efficiency and usefulness can continue to increase. Suggestions for further improvements are made at the end of this statement.

Perhaps the most notable achievement of our cultural exchange programs has been their effectiveness in gradually helping to correct that distorted picture, so prevalent abroad, of Americans as a people obsessed with materialistic values and material satisfactions. This distorted picture is the result not simply of propaganda by the communists and other anti-American elements. As already noted,

it is in part the unintentional result of our own technological proficiency, of our expanding economic system geared to mass production for mass consumption, and of the role which our material wealth and power must play in the protection and progress of the whole free world. Moreover, it would be foolish to deny that criticism of American culture as materialistic has a limited validity insofar as our creativity and our joy in work serve no better purpose than to satisfy the artificially stimulated whims of the American people for ever newer models and more gadgets. Nonetheless, American pragmatism, skill and productive exuberance have another, and vastly more important, significance for the whole of human society. Today, they make the United States the "arsenal of democracy," producing most of the armament which alone protects the free nations from communist imperialism. And tomorrow, our willingness to share our productive skills and material wealth freely with others may make their significance even greater. They are not only an indispensable means for achieving greater justice and welfare in the international community. If world population growth and consumption expectations both continue their explosive rise, the export of American skills and products may also be essential to enable many countries to provide their hungry peoples with the very broad of life itself.

Thus, our so-called materialism also has a positive and creative aspect. Nor is it by any means the sole important characteristic of American civilization. Indeed, our material progress, impressive as it is, may be only one of the fruits -- perhaps merely one of the by-products -- of the more basic satisfactions Americans derive from the exercise of their ability to manipulate and control the material world as a self-justifying activity.

In addition, there are many other qualities and values of American life which are gradually being made apparent to the people of other countries through our cultural exchange programs and in other ways. Dramatic examples have occurred

during the past year in the kinds of responses in Western Europe and non-communist Asia to exhibits of American art and technology and to performances by American musicians and dramatic companies. The most characteristic response was amazement at the unexpectedly high quality and wide variety of American achievements in these artistic and scientific fields. Similar responses on the part of European students and teachers have resulted from their growing acquaintance with American educational, scholarly and scientific accomplishments. What is important in these and other cultural contacts is not so much the admiration abroad for a specific American literary, artistic or scientific product. Rather, it is the recognition by the peoples of other countries that, regardless of cultural differences, we too are animated by the same fundamental humanistic values as they are. It is awareness abroad of such shared basic values that largely creates the psychological receptivity needed for favorable responses to American foreign policies and actions.

Granted the contribution of cultural exchanges to the success of American foreign policy, it is important that United States Government programs in this field be as effective as possible. Great progress has been made in the last few years in improving the content and efficiency of these programs. We may briefly indicate some of the main ways by which further progress could be achieved.

1. Just as cultural exchange programs have a long-term and cumulative impact, so the size and scope of these programs must grow slowly and naturally over time. It would be desirable, therefore, if these cultural exchange programs were gradually expanded from year to year. At present, there is considerably more that could usefully be done than is permitted by the financial resources of dollars and of local currencies available for these purposes. Virtually every part of the general program merits steadily growing financial support.

2. In the cultural field -- as in so many others in which Government has assumed greatly expanded responsibilities under the stress of mid-twentieth century

conditions -- it is important that special efforts be made to preserve the benefits of private, decentralized decision-making and enterprise. For many types of cultural exchanges, the best results can only be achieved through various forms of governmental-private cooperation. This has generally been recognized by the administrators of cultural exchange programs. It would be highly desirable to intensify their efforts to enlist private participation and initiative, particularly in the work of acquainting peoples abroad with American musical, dramatic and artistic performances. Great ingenuity will be required to devise proper and effective forms of private participation in these fields since traditionally in the United States they have been largely supported by private means and their independence is correctly prized. Yet American musicians, orchestras, dramatic companies and other performers cannot normally expect to earn enough through foreign tours to cover expenses, much less to yield even a modest profit. Thus, adequate governmental help will be needed if they are to continue their very beneficial activities abroad. At the same time, it is to be hoped that private foundations and other private sources of financing will also be willing to increase their support of such worthwhile cultural exchanges.

3. One means by which promising results have recently been achieved is through contacts of various kinds between American colleges and universities and those abroad. Not only in continental Western Europe but in many underdeveloped countries as well, students, teachers, writers and intellectuals generally play a major role as opinion-makers and leaders. In the past, they have had too little knowledge of American achievements in the literary, artistic and intellectual fields to which they are devoted. Hence, many of them have tended to have contempt for American cultural capabilities. Our present student, teacher and specialist exchange programs are making important contributions to overcoming this attitude abroad. But much more can and should be done along these lines, especially through American

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colleges and universities. One recent development is particularly promising -- the establishment by American institutions of permanent branches or institutes in foreign countries, like that of Johns Hopkins University at Bologna, Italy. In this, as in other, types of university participation, the major limiting factor is probably financial. It is to be hoped that appropriate ways will be found, and adequate funds provided, to enable the United States Government to assist American colleges and universities in those efforts.

4. Finally, a word may be said about the administration of United States Government programs. In our view, considerable gains in effectiveness and operating efficiency could probably be achieved by concentrating all cultural exchange programs in the Department of State. There can be little doubt of the wisdom of removing the United States information program from the Department of State and of establishing an independent agency, the United States Information Agency (USIA), to administer it. As already noted, the information function requires greater freedom, flexibility, speed of operation and ingenuity than is possible if it were to be a subordinate part of the permanent department responsible for the making of foreign policy and the conduct of foreign affairs. When the information function was separated from the State Department, it was correctly recognized by the Congress that cultural exchanges required a different kind of orientation, pace and method of operation than did informational activities. In consequence, some cultural programs were left in the State Department, but others were transferred to the USIA. While the two agencies have coordinated their cultural activities reasonably well, it would be desirable to restore all cultural exchange programs to the State Department.

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1955  
 PRELIMINARY AGENDA FOR THE  
 ANNUAL JOINT MEETING  
 OF NPA BOARD OF TRUSTEES AND STANDING COMMITTEES  
 MONDAY, DECEMBER 12  
 HOTEL STATLER, WASHINGTON, D.C.

MONDAY, DECEMBER 12

9:15 a.m.	Registration	Foyer of the South American Room
9:30 a.m.	Joint Session	Federal Room
	Consideration of Statement on US Participation in Cultural Exchanges	
	Consideration of Statement on Economic Stabilization: Past and Future	
12:00 p.m.	Cocktails	Pan American Room
12:30 p.m.	Joint Luncheon Session	Congressional Room
	Mr. John von Neumann Member, Atomic Energy Commission Guest Speaker	
2:30 p.m.	Joint Session	Federal Room
	Consideration of Joint Statement on Farm Policy	
	Consideration of Final Drafts of Joint Statements	
5:30 p.m.	Meeting of Board of Trustees	California Room
6:30 p.m.	Cocktails	Presidential Ballroom
7:00 p.m.	Annual Dinner of NPA Board of Trustees, Standing Committees and National Council	Presidential Ballroom
	Presentation of NPA's Gold Medal Award	
	The Honorable Nelson A. Rockefeller Special Assistant to the President Guest Speaker	
	Address by Mr. H. Christian Sonne, Chairman of NPA	

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NATIONAL PLANNING ASSOCIATION  
1606 New Hampshire Ave., N.W.  
Washington 9, D.C.

M-3063  
Confidential  
For Committee Use  
First Draft  
November 25, 1955

A Proposed Joint Statement on Farm Policy

What does the nation want to secure through a sensible farm policy? Three things, at least:

1. An adequate supply of the right kind of food for all the people of the United States, plus production of those exports that can play a useful part in world trade or in our own foreign policy.
2. Soil fertility built up to the end that the food and fibre needs of an expanding population can be met ten or twenty years from now.
3. Farm income high enough so that skilled operators will stay in farming and so that children coming from the farms will have the right kind of a start in life.

Are we falling short on these goals now? Yes -- and in these ways:

1. The nation still has millions who are under-fed. Low-income groups -- particularly older people and dependent children -- are getting less than they need of dairy and other livestock products. And our surpluses of wheat and livestock products are not yet being used effectively as exports designed to further foreign policy and to aid world peace.
2. The soil is still blowing in the dust bowl. Some farmers still plow up and down hill in the corn belt. Farmers who can only afford to figure a year ahead are forced to destroy national assets our grandchildren will need.

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3. Farm income is dropping. Farm markets are breaking under the impact of heavy production. The younger generation of farmers -- those who started farming after the war -- are in danger of being forced out of farming entirely.

\* \* \* \* \*

What is the basic economic fact behind those difficulties? It is this: Farm crops of all kinds are racing ahead of the baby crop in the United States. Farm production is increasing faster than population and much faster than effective demand.

Spurts in war exports cover up this problem at times. But the rock bottom fact is that total agricultural production during the last 15 years has increased an average of more than two percent a year while total population was increasing at less than two percent a year.

This production rate -- and this problem -- will be with us for some time. By 1975, it is generally expected that the nation will need perhaps 50 percent more farm production. But this is only 1955.

What we have, then, are two interlaced problems:

1. U. S. farmers are now producing more than U. S. consumers are able to buy. This pressure of surplus on the markets may continue for some years.
2. Yet eventually population increase will catch up with farm production. Poor prices and poor conservation practices should not be permitted to push good farmers out of agriculture and to waste soil fertility. Those good farmers and that soil fertility will be badly needed later on.

The farm paradox is that our increasing farm productivity is an enormous asset to everybody in the United States -- except the farmer. For him there is increasing

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danger that the efficiency that doubled production per man-hour in the last 15 years may continue to depress farm income.

What kind of national farm policy can deal with this situation?

One proposal, of course, is to do nothing effective on a national scale. Let three million commercial farmers operate as a sort of free-enterprise island in the midst of an economy powerfully influenced by large corporations, large labor unions and federal legislation supporting non-farm groups.

This solution is economically and politically impossible. Something will be done for agriculture on a national scale; the question is whether that something will hurt, help or just make passos in the air.

\* \* \* \* \*

Several lines of attack soon to offer hope. They include:

1. Take action -- through expanded school lunches, food stamps and other devices -- to see that the under-fed in the United States get a share of the abundance farmers are producing. To the extent that this builds up the market for livestock products, it will also help surpluses in other fields. For instance, if we convert six million acres of land now in wheat, rice, potatoes and other food crops into food and forage for livestock, we have taken five million acres of land out of production so far as calory production is concerned.
2. Use food surpluses imaginatively and constructively abroad as a tool of foreign policy. While difficulties in this field are great, experiments by FAO and other groups have shown possibilities.
3. For the future of the nation, help get the dust bowl back into grass and help to end wasteful soil practices in other sections. Farmers pressed by creditors plow up grass land and let top soil vanish. Federal aid for soil conserving practices, "soil bank" rental programs and similar devices can help.

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4. Use price supports where necessary to keep farm income at a reasonable level while shifts from wheat to grass and other changes are being made. Feed grain supports, coupled with restrictions on use of diverted acres, help to stabilize livestock production. With dairy products and probably other livestock productions, purchase and storage of the surplus as a means of supporting prices should be abandoned. It makes more sense to the consumer to let the price drop to market levels and then pay the farmer direct the difference between the market price and the support price.
5. Treat government stocks partly as reserves and partly as surpluses. Government stocks of corn amount only to about a three months' supply. This is plainly too little rather than too much. Wheat stocks would carry us for a full year. This is probably twice as much as prudential demands, unless we are able to use wheat exports skillfully as an instrument of foreign policy. The cotton supply would carry us for about eight months -- more than we need for a reserve. Government stocks of cheese and butter would vanish in a hurry if school lunches and food stamps were used to any great extent.
6. Remember that the methods described so far deal mainly with three million commercial farmers. Two million marginal and part-time farmers present a different problem, not aided by loans or supports. They produce little for the market, but they are important as producers of children and as unwilling producers of low living standards. Some of those folks can be helped to more land, more capital and more skills so they can move into the commercial farming class. Some can be helped to do a better job of part time farming, even while they

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rely on town jobs for most of their income. Some can be helped to move away to places where job and farm opportunities are better.

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For the long pull, the United States is going to need a lot of skillful farmers on good land. Our danger now is that the present pressure of surpluses will force lower incomes, poor farming and a loss to the nation of both farming skill and soil fertility.

It is a danger that can be averted if business, labor and agriculture work together to help the nation tackle some of the major jobs that must be done to improve our national farm policies.

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NATIONAL PLANNING ASSOCIATION  
1606 New Hampshire Ave., N.W.  
Washington 9, D.C.

M-3071  
Rev. M-3048  
CONFIDENTIAL  
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First Draft  
November 4, 1955

Suggested NPA Joint Statement on  
"Economic Stabilization: Past and Future"

On February 20, 1946 the Employment Act became law. On that day, it was signed by the President after adoption by an overwhelming majority of both parties in Congress. The Act set a milestone in the development of the responsibilities of government. Those who contributed in one way or another to the adoption of that Act can look with satisfaction upon the record of the past decade. The National Planning Association is proud that it can count itself as one among those whose suggestions have contributed to this basic legislation.

While confirming the fundamental belief in the system of free competitive enterprise, the Act also established the continuing responsibility of the government to "utilize all its plans, functions and resources for the purpose of creating and maintaining conditions under which there will be afforded useful employment opportunities, including self-employment for those able, willing, and seeking to work." The government thereby added the objective of "maximum employment, production, and producing power", as the Act phrases it, to the other traditional objectives and obligations of government policy.

After 10 years of experience under the Employment Act, there is no longer any important controversy about the government's basic responsibility for the promotion of economic growth and stability. Present controversies are mainly concerned with the manner in which this basic statute has been and should be implemented.

The Council of Economic Advisers on the executive side and the Joint Committee on the Economic Report on the legislative side have proven their usefulness in

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the consideration and coordination of economic policies. It would therefore be highly desirable if the staff, both of the Joint Committee and of the Council of Economic Advisors, were to have permanent status. The effectiveness of the Joint Committee staff in the past can be explained in part by the continuity of service even when the majority in Congress has changed. The effectiveness of the Council, however, has suffered by too frequent change in staff membership. An intimate working relationship between the Council and the Joint Committee is essential for facilitating the process of legislative implementation of a stabilization policy. With tact and consideration on both sides, this should be possible without interfering with the primary duty of the Council as an advisor to the President.

We welcome the fact that the present Council of Economic Advisors consults regularly with economists from various universities. We are also aware that an interdepartmental committee headed by the Chairman of the Council has been set up too. The Employment Act, however, also prescribed cooperation with industry, agriculture, labor, and state and local government and authorized the Council to establish advisory committees for the purposes of consultation. In recent years consultation with these groups has been informal and infrequent. We propose that consultative committees be formally set up to meet regularly with the Council at least once each quarter.

Policies formulated through the machinery set up by the Employment Act have contributed at times to the adoption of anti-inflationary measures, and at times to the adoption of measures aiding in recovery from a recession. There is some difference of opinion concerning the relative importance of the contribution these government economic policies have actually made towards the maintenance of high employment and stabilization. Nevertheless, it must be realized that

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the indirect influence -- the very existence of the Employment Act, the pledge and the readiness of the government to act when needed -- has helped to maintain the confidence of business, consumers, and labor in the economic future and thereby has affected economic growth at least indirectly.

Knowledge that the government is ready to take necessary steps for economic stabilization has enabled business managers to develop investment plans on the assumption that general market fluctuations would be limited in size and duration. It has enhanced the willingness of labor to accept, and even promote, the adoption of technological and managerial advances. It has increased the propensity of consumers to buy homes and durable goods, trusting that steady jobs and good incomes would enable them to pay for mortgage loans and consumer debts. That the Act would help to create confidence in the economic future, and thereby tend to decrease the need for government intervention, was one of the results expected by those who advocated adoption of a full employment act. This expectation has been borne out by the experience of the last decade.

Looking forward to the problems which must be met during the next decade is, however, more important than expressing satisfaction over the achievements of the past decade. The fact that fluctuations in employment were only relatively mild during recent years does not mean that we can necessarily count on continued stability in the future. Some have suggested that structural changes in the economy have modified, if not abolished, the business cycle and that heavy fluctuations need no longer be feared. In criticism of this optimistic view, it should be pointed out that the absence of periodic, large-scale fluctuations does not mean that our economy has become immune to the threat of either inflationary or deflationary excesses and of mass unemployment. It would be folly to discard accident insurance because no accident has occurred for a

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while or to build dams to take care only of floods as they occur each spring and not of those heavier ones which occur at irregular intervals. The next ten years may possibly present us with unstabilizing tendencies of greater forcefulness than were experienced during the past decade.

One of the characteristics of the American economy is a high degree of liquidity, which means that consumers' desires to buy can be backed by easy access to consumer credit, and businesses' desires to modernize plant and equipment can be financed by available investment funds. This fact in part explains why the recent recovery from the 1954 recession brought increases in economic activity exceeding most observers' expectations. By the same token, however, it appears entirely possible that the quick satisfaction of existing consumer and business needs may lead to periods of temporary saturation and reverses in production and employment. There is also the fact that rapid technological advances require rapid economic expansion and adjustments in jobs and production if creation of temporary difficulties is to be avoided. Therefore, it is essential that the "economic watchmen" set up by the Employment Act continue their work with utmost vigilance and that measures to be used to counteract heavy fluctuations be held in readiness.

However, it will not be sufficient merely to continue the policies of the past. After the experience of a decade under the Employment Act some improvements in the machinery set up under that Act may now be suggested. A policy designed to promote economic growth, full employment, and price stability requires that it be formulated in the perspective of a number of years, not just a few months or a year ahead. The Employment Act wisely made no specific stipulation concerning the time covered in the economic reports. It also left details of presentation to future determination. Ten years ago, there was

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such uncertainty about the techniques which were then available that the language of the Act was deliberately kept vague. After a decade of experience with Reports by the Council, the Joint Committee and studies by private agencies and individuals, the time may now have come to consider whether certain additional information should be included in each of the annual Economic Reports of the President. We suggest that the Reports present each year an economic projection covering the current year and five subsequent years. This projection would demonstrate what rise in total production, income, consumer expenditures, business investments and similar data of the Nation's Economic Budget could be expected under the assumption of a reasonable approximation to full employment. This projection of "needed levels" of employment, production, and purchasing power (to use the phrases of the Employment Act) would give a longer run perspective for an evaluation of "foreseeable trends." It would help to demonstrate the problems that may be involved in expanding employment, production, and consumption in line with the growth of the labor force and rising output per man hour.

This proposal for a regular six-year projection of a full employment national economic budget is in accord with a recommendation made by the National Planning Association in a Joint Statement of December 1954 on budget reform. At that time, the NPA recommended that each Budget Message present a budget outlook covering a number of years. A six-year economic projection and a six-year budget outlook covering the same time period and presented at the beginning of each session of the Congress would provide the legislature and the public with the information required for considering the possible need for adjustments in private business plans, in wages, consumer attitudes, and in government policies in order to promote balanced economic growth in line with rising productivity. These long-run projections which should not be mistaken for forecasts would be revised each year for 5 out of the 6 years covered.

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Presentation of a long-range budget outlook and a long-range economic projection would tend to bring about a better coordination between the fiscal and economic policies of the government. That such long-range estimates are feasible has been demonstrated by the informal experimentation with such methods by government and private agencies during recent years.

We also wish to repeat a previously made recommendation concerning the Congressional implementation of the Employment Act. The National Planning Association's Joint Statement of December 1954 suggested that the Joint Committee on the Economic Report be reconstituted as a Joint Committee on Economic and Fiscal Policy. This Committee would examine both the President's Economic Report, including the long-range projections, and the over-all aspects of the Budget Message, particularly the long-range budget outlook.

Great progress has been made during the last decade by public and private organizations in the improvement of the statistical tools needed for successful operations under the Employment Act. Despite these improvements, businessmen, farm and labor groups, the Government, and the general public need better statistical guidance for their own operations and for an intelligent consideration of private and public policies. We need better private planning by each group to avoid a planned economy. Better planning must be based on better statistical data and estimates. The most obvious gaps exist in estimates of saving and dissaving, of business plans concerning investments, technological advances, and inventories. We very much applaud the effort made by the Joint Committee, executive agencies of the Government, and the Board of Governors of the Federal Reserve System in identifying some of the most glaring gaps in our statistical information. We hope that their recommendations will be implemented promptly by using available Federal Reserve funds for additional statistical work which

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is needed as guidance for monetary and credit policies; by executive agencies through re-directing statistical work along more essential lines; and by Congressional action wherever additional appropriations are needed. At the same time, it is hoped that private business and research organizations, which often have pioneered in statistical work, will continue and intensify their efforts.

The American economy has moved within a decade from a \$280 billion to a \$390 billion Gross National Product. It is expected to move towards \$550 billion ten years from now (all values expressed in present prices). In such an expansion, not every element of the economy can be expected to grow in the same proportion. Nor can all the needed adjustments be expected to occur promptly and automatically. Adjustments will be needed in private plans and public policies. Measures to promote such adjustments must be based on an early recognition of what the problems are. The Employment Act has provided us with the machinery which can bring needed actions to the attention of the President, the Congress and private groups. Ten years' experience makes us confident that the job can be done but will not be easy and will require a constant effort of those in public office and in private positions of great responsibility.

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CENTRAL INTELLIGENCE AGENCY  
OFFICIAL ROUTING SLIP

TO		INITIALS	DATE
1	[Redacted]	2032 K Bldg.	X
2	[Redacted]		
3	[Redacted]		
4	[Redacted]		
5	[Redacted]		

  

FROM		INITIALS	DATE
1	Assist. to the Director	FMC	7 Dec
2	[Redacted]		
3	[Redacted]		

APPROVAL       INFORMATION       SIGNATURE  
 ACTION       DIRECT REPLY       RETURN  
 COMMENT       PREPARATION OF REPLY       DISPATCH  
 CONCURRENCE       RECOMMENDATION       FILE

Remarks:

DCI has not seen the attached material but did decline a separate letter of invitation from Mr. Sonne to attend this NPA session on December 12th.

STAT

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